

## EMERGENCY FUND PLAN COURSE: TABLE OF CONTENTS

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### EMERGENCY FUND RESOURCES



### Why Take This Course?

Do you ever wish you knew more about personal finance? No matter where you are in your financial journey, there always is more to learn. SAM's free online courses are not intended as financial advice, but as a starting point to raise awareness, to increase skills and knowledge related to personal finance, and to guide you to helpful resources.

Research shows that financial education is most effective when it is relevant to a decision you are faced with right now. This course covers:

- Reasons for starting and maintaining emergency savings.
- Tips for starting, using and replenishing an emergency fund.
- Guidelines for how to set and track emergency fund savings goals.

### Disclaimers

*Throughout this course, any reference to a specific company, commercial product, process or service does not constitute or imply an endorsement or recommendation by State of Vermont LiveWell Vermont Wellness Program, Smart About Money (SAM) or the National Endowment for Financial Education.*

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## INTRODUCTION



### DeAnna's Story

DeAnna's healthy 21-year-old daughter, Haley, went away with her college friends to San Antonio for the weekend. The friends had planned many activities, including a River Walk tour.

They did not plan for Haley to suffer appendicitis one night at the hotel. Luckily, her friends got Haley to the emergency room in time for her appendix to be removed before things got too bad.

Unfortunately, DeAnna lives in Arkansas, so she had to tap out her credit card for an expensive, last-minute flight to San Antonio and to pay to stay at a hotel near the hospital.

The stress of her daughter's medical emergency and the added financial burden of unplanned travel were more than enough for DeAnna — and this was before she received the medical bills for the emergency room visit, surgery and hospital care. Although DeAnna's insurance will cover some of the costs, coming up with the money to meet her deductible will be tough.

### *Are You Prepared?*

More than half of Americans in a recent poll said they would have to rely on debt or borrowing money from family and friends to cover an emergency.

## Check Your Emergency Fund Readiness

Have you ever felt stressed when faced with an expense that isn't part of your regular spending? This course will help give you peace of mind as you figure out a strategy to cope with unplanned expenses and untimely cash flow challenges.

Take this quiz to check your readiness to handle an emergency expense. Answer Yes or No to the following questions.

1. Are you having difficulty paying your regular monthly bills, bouncing checks or managing your debt?

*Research shows that households with savings less than \$500 are twice as likely as those with more savings to experience issues like these.*

2. Do you have \$500 or more readily available to cover emergencies?

*In a survey by the Federal Reserve, only 48 percent of respondents said they could cover an expense of \$400 without borrowing or selling something. Research has shown that households with emergency savings below \$500 were more prone to worry, loss of sleep and other ill effects than households with more savings. Source: Consumer Federation of America*

3. Do you know the total amount of your monthly financial obligations?

*It's important to know your basic monthly expenses. When starting an emergency savings fund, first satisfy your monthly basic expenses and then use what is left to start saving.*

4. Do you have quick access to enough money to cover three to six months of expenses?

*While it might seem like a lot to save, ideally you should be able to cover three to six months of your family's basic expenses in case your income drops or needs to be used for large unplanned expenses. Having enough money in reserve is crucial to managing unplanned financial challenges.*

5. Do you regularly add money to your savings?

*Just as you plan to cover necessary monthly expenses, make it a priority to save money for emergencies. Also use some or all windfall money — such as tax refunds, gifts, bonuses or an inheritance — to build an emergency fund.*



## Make a "SAM" Plan to Start Emergency Savings

How do you create your emergency savings? Use the SAM action steps to analyze your current emergency fund situation and take purposeful steps toward identifying or making changes.

**S**ize up your situation

Honestly assess the money you have saved and your ability to cover financial obligations.

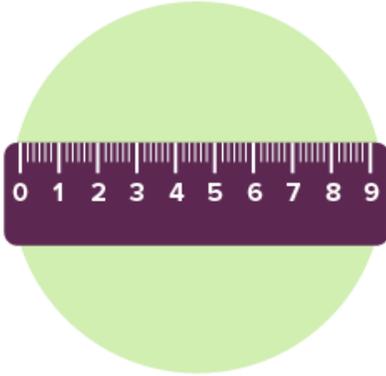
**A**nalyze your circumstances

Can you cover basic expenses plus any unplanned expenses? How can you make adjustments to build up an emergency fund?

**M**ake a plan

Make a goal to intentionally set aside money for an emergency fund. Implement strategies to maintain the fund long term.

## Size Up Your Situation



Emergencies can send your family into financial crisis. Even relatively small costs like cellphones that get dropped in water, veterinary bills when the dog eats something he shouldn't, and helping friends or family in need can throw off your monthly budget.

In the next section, analyze how you fare in each of the top needs for an emergency fund:



Medical  
Emergencies



Job Loss



Car Repairs



Home Repairs



Peace of Mind

## Need No. 1: Medical Expenses

Even if you exercise obsessively and eat a perfect diet, accidents and illnesses happen. The only thing you can do is try your best to be financially prepared. Look at these results from recent studies:

**25%**

More than 25 percent of families experience financial burdens related to medical care. And, lower income families have the highest levels of financial burden from medical bills.

**24%**

Twenty-four percent of Americans experienced a “major unexpected medical expense” for which they had to pay out of pocket in the prior year.

**62%**

A study by researchers at Harvard Medical and Law Schools found that 62 percent of all personal bankruptcies are due to medical bills and illness.

### *How Would You Start Over?*



Would you be able to handle the expenses if a medical catastrophe struck your family? Michael Lindman experienced just such an event. Despite saving for his future, Michael lost his job and then required emergency surgery. As the bills piled up, he depleted his savings. You can read more about how Michael restructured his life at [America Saves](#).



### How Do You Fare?

Approximately how much did you spend on medical expenses within the past 12 months?

- Under \$100
- \$100 - \$499
- \$500 - \$999
- \$1000 - \$2499
- Over \$2500

Do you think you have adequate health insurance coverage? Yes/No

You are adequately insured if your health insurance covers at least 60 percent of the cost of medical expenses, [according to the U.S. Department of Health and Human Services](#).



*Want to go deeper?*

Take SAM's *Insurance Basics Course*.

## Need No. 2: Job Loss

What is the average number of weeks to remain unemployed after losing a job?

- Less than 12 weeks
- 12 weeks to 26 weeks
- 27 weeks or over

According to the Bureau of Labor Statistics (BLS), the average duration for a person to remain unemployed after a job loss is just over 31 weeks, or approximately seven to eight months.



### How Do You Fare?

If you lost your job, approximately how long would it take you to find another similar job?

- Less than a month
- 2 months
- 3 – 6 months
- 7 – 12 months
- Over a year

Is your emergency fund adequate to handle a job loss?

- Yes, I could cover six months of basic living expenses.
- No, I would need to borrow money or use credit for basic living expenses.

### Where Are the Jobs?

You can see current data on which industries are adding the most jobs at the [Bureau of Labor Statistics website](#).

### Starting Over After Job Loss

Aimee Schaffer lost her job as a radio news director, made a lot of cutbacks in her budget and eventually opened her own professional pet sitting service. Now she's back to saving. You can read her story at [America Saves](#).



*Want to go deeper?*

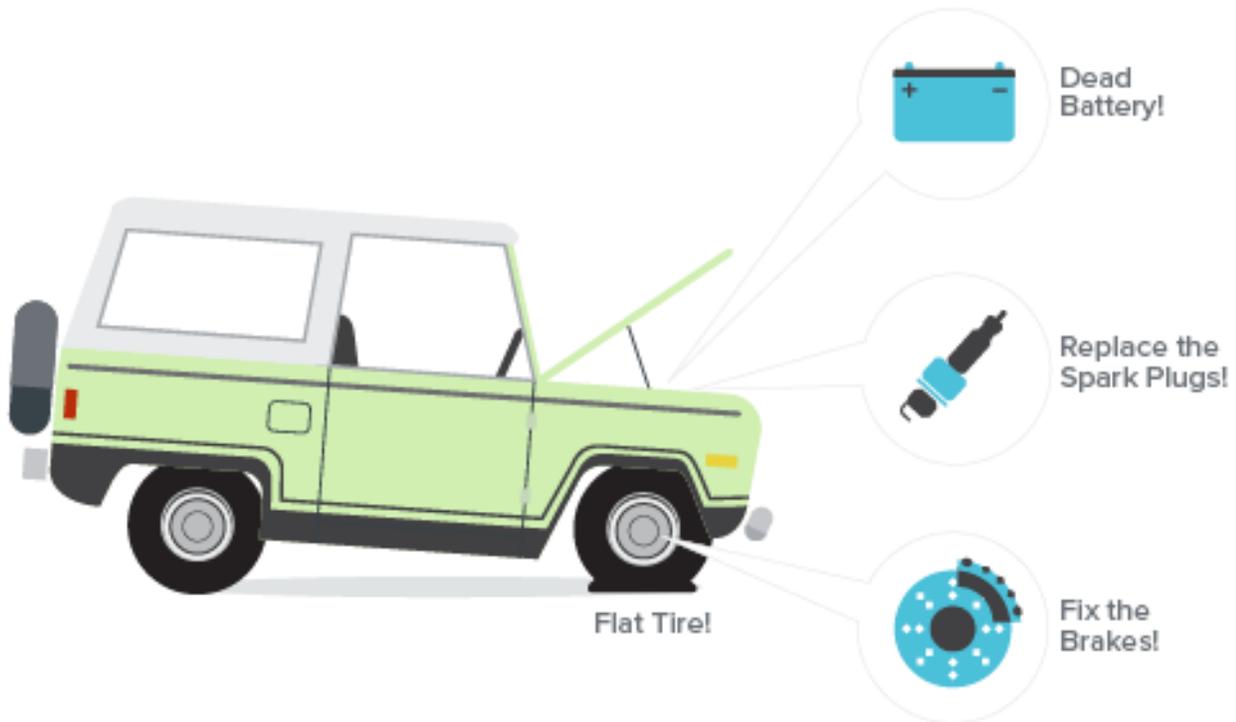
Take SAM's *Employment Basics Course*.

### Need No. 3: Car Repairs

It happens to everyone. You're cruising along in your daily routine, living within your means, when emergency car repairs strike. And they strike hard.

On average, auto repairs cost drivers 4 percent of the yearly cost to own their vehicles, according to *Consumer Reports*. So, even if you drive one of the least expensive cars to own, you still could be looking at hundreds of dollars per year in maintenance and repair costs.

Throw in a few common emergencies — blowing a tire, overheating or killing your battery — and that number quickly can increase beyond your budget.





### How Do You Fare?

Could you find alternative transportation to get to work if you had a major car repair?

- Yes, I have reliable alternative transportation.
- No, I would not be able to get to work.

Approximately how much did you spend on car maintenance and repair expenses within the past 12 months?

- Under \$100
- \$100 - \$499
- \$500 - \$999
- \$1000 - \$2499
- Over \$2500

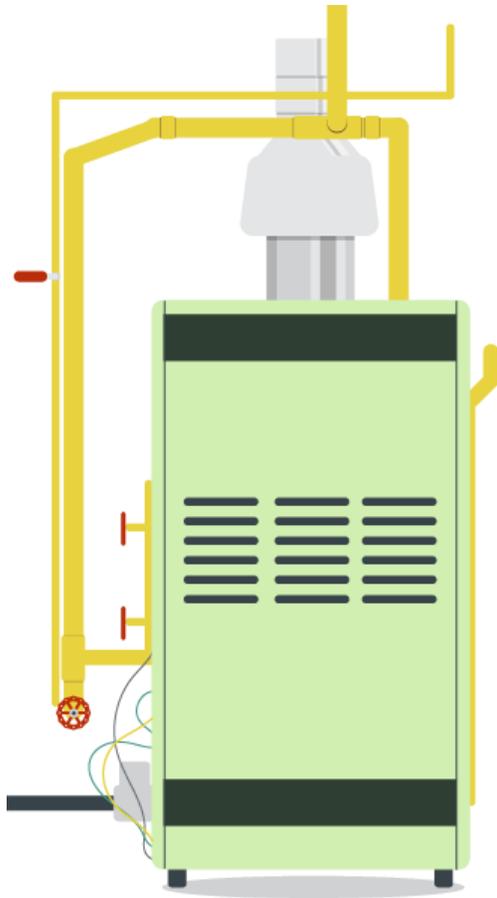


*Want to go deeper?*

Take SAM's *Transportation Plan Course*.

## Need No. 4: Home Repairs

The temperatures outside have gotten colder and you turn on your furnace. Two hours later, you notice that you have to put on another sweater. Another hour goes by and you're still chilled. With the realization that you'll need to call a furnace repair shop in the morning, you think, "I wonder what this will cost me?"



**\$269**

Average cost to repair a furnace.



Problems caused by improper cleaning and maintenance can be cheaper to fix.



Electrical repairs caused by circuits and breakers can be a bit more expensive.



Malfunctions of furnace parts and components are usually the most expensive.

[Source: HomeAdvisor.com](https://www.homeadvisor.com)



### How Do You Fare?

Approximately how much did you spend on home maintenance and repairs within the past 12 months?

- Under \$100
- \$100 - \$499
- \$500 - \$999
- \$1000 - \$2499
- Over \$2500

Is your emergency fund adequate to pay for major unexpected repairs to your home?

- Yes, I have adequate coverage.
- No, I don't have enough coverage.



*Want to go deeper?*  
Take SAM's *Housing Plan Course*.

### Need No. 5: Peace of Mind

Financial stress can negatively affect your health and personal life. There is real psychological power in knowing you have the funds to rely on if you encounter unplanned expenses or a job loss in the future. A solid long-term emergency fund can help you sleep better at night, knowing that you can survive most potential financial calamities.



### How Do You Fare?

Do you worry about managing financial obligations?



- Yes, I worry a great deal about managing financial obligations.
- No, I don't worry about managing financial obligations.

What amount of emergency savings will give you peace of mind that you can cover estimated unplanned expenditures?

- Under \$100
- \$100 - \$499
- \$500 - \$999
- \$1000 - \$2499
- Over \$2500

## ANALYZE YOUR CIRCUMSTANCES

### Who Saves for Emergencies?

Most financial experts suggest implementing a strategy to keep enough in your emergency reserve fund to cover three to six months of basic expenses. This will help to ease the financial burden if you have a temporary drop in income, and you will have money to cover unplanned expenses.

Source: NEFE Harris Poll 2015: Getting Financially Fit in 2015)



## Where Does Your Money Go?



“Budget” can sound like a dirty word when you’re already stressed about finances. How are you magically supposed to find more money to start an emergency savings fund?

If you’re feeling stressed about money, the natural response can be to avoid looking at bills, bank accounts and credit card statements because you fear it only will make you feel more hopeless. But the first step to solving any problem is to stop hiding and to look honestly at the situation.

## Be a Spending Detective

Give yourself a raise by tracking where your money goes and plugging spending leaks. Start with this [Budget Worksheet](#).



*Want to go deeper?*

Take SAM’s *Spending and Saving Basics Course*.

## Examine Your Spendster Habits

When you examined your expenses, you probably found areas where money is “leaking” — disappearing with nothing to show for it. These spending leaks mean less money available for savings.

These Spendsters might help you think about ways to make other changes so you can reallocate money to build your emergency fund.

Watch the NEFE video on Diet Coke addiction. Click on the image below or view it at:

<https://www.youtube.com/watch?v=ZODNXMg5g3c>



Watch the NEFE video on cookie cutters. Click on the image below or view it at:

<https://www.youtube.com/watch?v=efiUoaxY8Ak#t=86>



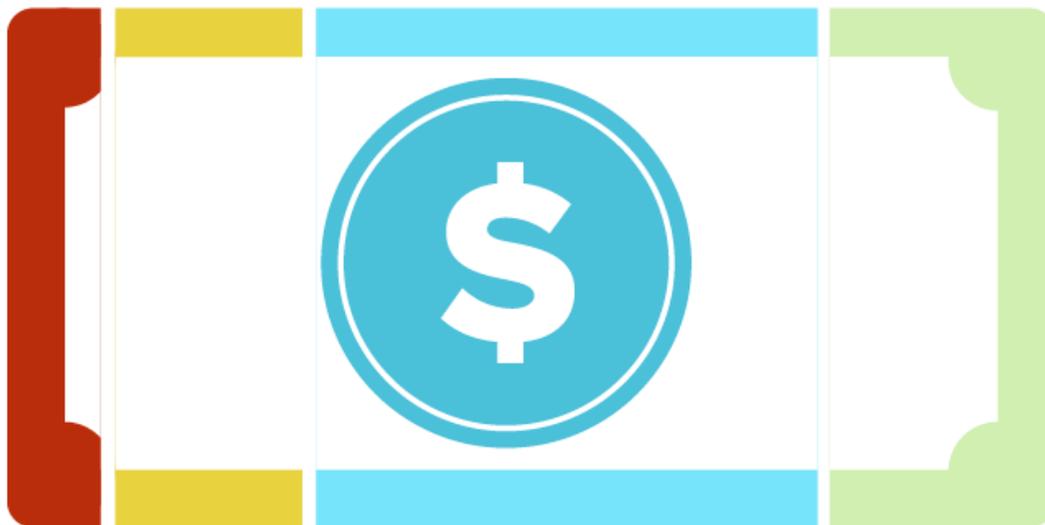


## What Would You Do?

What would you do if you came across \$1,000 unexpectedly?

- Spend it all
- Save it all
- Save some and spend some
- Pay down debt

In a survey by the Federal Reserve Board:



**7%** of people said that they would spend the entire \$1,000.

**17%** reported that they would save the entire \$1,000

**50%** Just under 50 percent said they would save some and spend some

**20%** Just over 20 percent reported that they would use the entire \$1,000 to pay down debt.



long-term emergency fund.

### Use Windfall Money

Here are a few more ideas for finding money to put toward your emergency savings:

- ✓ **Coupons and rebates.** Do you take advantage of coupons and product rebates? Sure, \$5 here or there may not seem like a lot, but it can add up. Be sure to send in product rebate request forms and deposit the rebate checks into your emergency savings account.
- ✓ **Tax refunds.** Build up your emergency fund by tucking some of that tax refund into savings. Even a modest amount — as little as \$500 — can help soften the blow of the typical unexpected expenses.
- ✓ **Raises and bonuses.** If you were doing OK before you got a pay raise or bonus, deposit that extra money into your savings to help build up your

## Work With Your Family

Whether you are in a financial crisis or not, get your family involved to help make budget cuts to family spending.

- **Brainstorm.** Work together to come up with ideas for saving on utilities, eating at home more often or generating extra household income. Family members might be able to offer suggestions for cost savings that you might overlook.
- **Talk to your children.** Be honest in your conversations about money, answer questions they might have, teach by example and let older children help by earning spending money. Watch what you say, however, because children can get worried too.



## Are You Ready to Have "The Talk?"

Get tips for talking with kids about money in SAM's *Family and Finances* topic section.



## MAKE YOUR EMERGENCY FUND PLAN



### Make Emergency Fund Saving a Priority

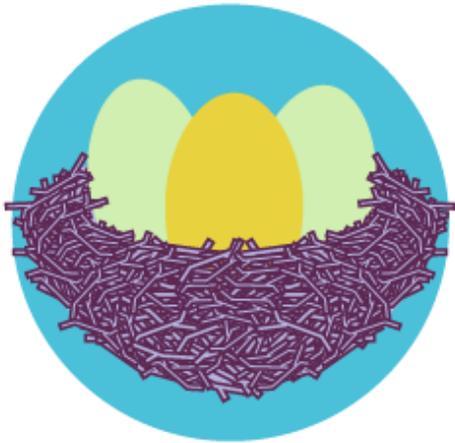
The first step in setting aside money for emergencies is deciding that it's possible. If you never seem to have anything left from your paycheck after paying bills and living expenses, start thinking of emergency savings as a necessity.

Right now, it doesn't matter how much you are able to save every month. The important thing is making the commitment so that your emergency savings becomes a habit. This single act moves you toward a healthier financial future.

Nobody can predict the future, but you know that unplanned expenses will arise. It makes sense to put aside money for those occasions, even if you don't yet know what the money will be used for. Establish guidelines for how the reserved money can be used and how the fund will be replenished.

### Monique's Example

Monique thought she would never be able to put money aside for savings, but in recent months she adjusted her spending and created a comfortable emergency reserve fund. Now she is very protective of the money she has set aside. She likes to see the balance growing each month, and has made a promise to herself that she only will use the money for unusual expenses such as emergency medical bills or major car repairs. Nothing has come up yet, but Monique is less stressed because she knows that she has a safety net.



## How Much Is Enough Emergency Savings?

Aim to build the emergency fund you are comfortable with, but that will be enough to serve as a safety net in a time of crisis.

- Research shows that households with emergency savings below \$500 are more prone to worry, loss of sleep and other ill effects. Set a goal to save at least \$500 for emergencies.
- Once you have \$500 saved, congratulate yourself! Then set a goal to have enough money to cover at least one month of your financial obligations.
- Ultimately aim for a fund with enough savings to cover three or more months of expenses. Especially since, on average, it takes someone who has lost their job several months to move into a new position.

### *Dipping Into Savings*

If you have to dip into your savings for any reason, be intentional about replacing any amount that is used. Think of the fund as a glass and the money as water. Once you empty it, you need to refill it — you never know when the next emergency may happen.





### Pay Yourself First

The secret of saving is to think of it as paying yourself first. It can be hard to resist spending today, until you realize that you are taking money away from the future you.

When you get your paycheck, a windfall (such as a tax refund or inheritance) or other income, make it a priority to set aside a portion of it for savings.

That's paying yourself first — and it works. Your future you will thank you.

Here are some ideas to get started:

- **Automatically save from your paycheck.** Have your employer automatically deduct money from your paycheck and deposit it into a savings account or other interest-bearing account. Even better, find out if your employer has a program to deduct pretax dollars straight from your paycheck into savings. What you don't see, you won't miss.
- **Automatically transfer savings from your checking account once a month.** Set up an automated transfer to move a set amount of money from your checking account into your emergency savings account each month.
- **Use savings apps.** Choose a savings app or financial product that automatically saves every time you make a purchase. For example, some apps will round up to the nearest dollar of every purchase and put the remaining change into savings — for example, if your purchase is \$3.55, the savings app would add \$0.45 to your account.

### *Who Is the Future You?*

Studies have shown that we tend to think of our future selves as strangers. Every time you add to your savings, think of that future you for whom you are saving. What does the future you need and want? It can help to even give your future you a name. Every time you save, think of that person and how grateful they will be for the sacrifices you make today.

## Where Should I Keep My Savings?



Some folks like to keep all their emergency savings in one large fund. But, dividing some of your long-term emergency fund into interest-bearing accounts gives your money the opportunity to make more money.

Investment accounts may not offer immediate access to your money though, so it's better to keep at least some emergency cash for immediate needs in a regular checking or savings account.

Money market accounts are a good choice for short-term emergency funds since they offer easy access (ATM card, debit card or check) with reasonable interest.

Let the long-term emergency fund grow in a higher-yielding account like a Roth IRA, Certificate of Deposit (CD) or savings bond. Keep in mind, though, that these funds don't always offer immediate access.



*Want to go deeper?*

Take SAM's *Investing Basics* Course.

Keep your emergency fund money separate from other money. Otherwise, it is too easy to dip into it.



### *Nichelle's Story*

It's important to set goals for your savings and your future. Nichelle Johnson, a single mother of two with a part-time job, set her goal for a small emergency savings fund. In spite of the small amounts she was able to save each payday, Nichelle achieved her goal of saving \$300 and is now growing her long-term savings. She admits that it is not always easy, but she is making progress toward her goals. Learn how you can save at [America Saves](#).



## Using Your Emergency Fund

Be cautious about tapping into emergency savings. If you're saving for a rainy day and it's constantly pouring, then it makes sense to use your emergency fund, right?

Not always. Before you decide to use your emergency savings, consider:

- 1. Is it really an emergency?** A flat tire is an emergency. Paying bills if you've lost your job is an emergency. A broken arm is an emergency. But regularly occurring expenses like birthdays, holiday gifts and new school clothes are not emergencies. If you know when something is due, you can plan for it throughout the year or possibly eliminate it for a time.
- 2. Is it a want or a need?** Wants are nice to have but are not essentials. This might include eating out, going to movies or getting the newest cellphone. Needs are the essentials, the basics of life that you must have to survive.
- 3. Do you need it right now?** Just because the jacket you have been watching at the store is on sale doesn't mean it's an emergency. These funds need to be saved for broken appliances, emergency room visits or your car repairs.

Remember that when you do decide to use your emergency fund, you can feel proud that you were able to avoid using your high-interest credit card or borrowing money from friends and relatives. Feel good about using your emergency fund for its intended purpose.

## Replenishing Your Emergency Fund

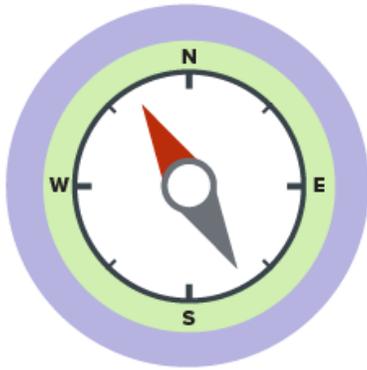
Once you have your emergency fund established, you can rest easy knowing that you can handle a crisis. So what about the first time you actually use that fund? It might feel like you've done all that hard work saving money just to have to start all over.

The nature of an emergency fund is that you use it for emergencies. Sometimes the emergency will even drain the whole fund at once.

If this happens to you, don't worry. You will need to start saving all over again, but you can lessen your worries knowing that the funds you've used have kept an emergency from escalating.



## How to Set Emergency Fund Goals



When you decide that you are ready to start your emergency fund, it helps to set goals to keep track of your progress.

Start with reasonable goals that are achievable. There is no point in setting goals that you know you'll never reach.

On the other hand, you want your goals to be challenging enough that you feel a sense of accomplishment when you reach them.

Think of your goals as progressive levels – just as in a game; once you achieve success at one level, you progress on to the next level. You will find that as you start to reach your goals, the process actually gets easier, not harder, and you might even start to enjoy the challenge of trimming excess spending and watching

your savings grow.

### Increase the Difficulty of Your Goals

There is more than one way to increase the difficulty of your goals. You can adjust your goals by increasing the amount you aim to save, by adjusting the time frame, or both. Just be sure to start with a goal that is within reach for you. Even if you only can save \$5 a week, that is better than nothing.

## Increase the Difficulty of Your Goals

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Difficulty	Goal 1	Goal 2	Goal 3
Amount	Save \$25 per week for a month.	Save \$50 per week.	Save \$100 per week.
Time	Save \$250 in three months.	Save \$250 in two months.	Save \$250 in one month.
Amount and Time	Save \$50 this month.	Save \$75 in three weeks.	Save \$100 in two weeks.
	Goal Reached! 	Goal Reached! 	Goal Reached! 



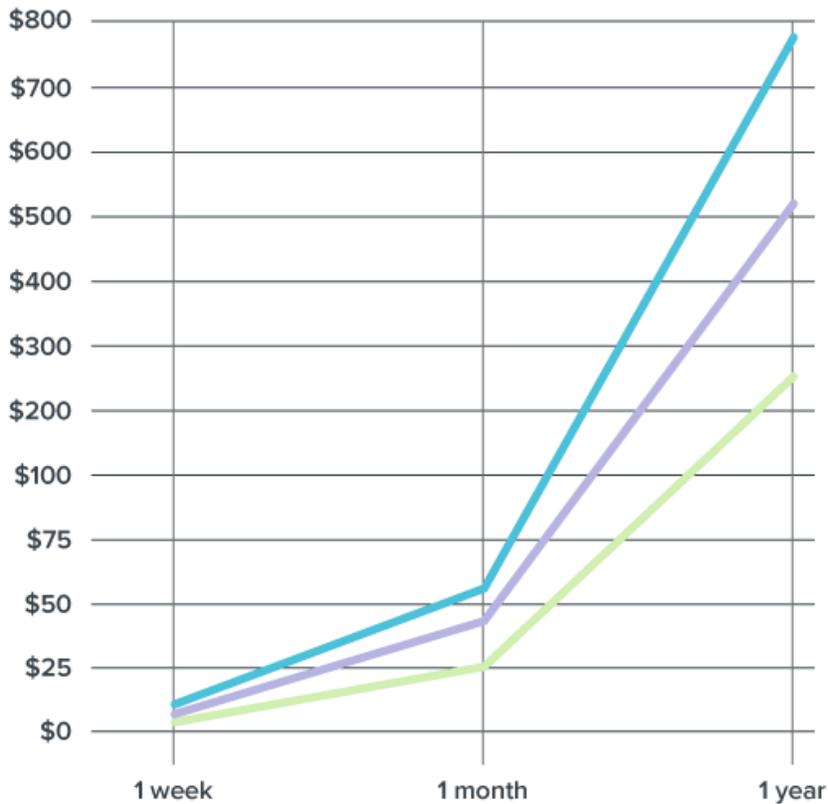
### Set Your Goal

Use this simple phrase to help you set a goal for establishing your own emergency fund:

I want to have \$\_\_\_\_\_ in an emergency fund by \_\_\_\_\_ [Date]. I will aim to save \$\_\_\_\_\_ each (paycheck, week, month, etc.) to reach my goal.

### Even Small Savings Add Up

If you don't think it's worth it to try to save a few dollars every week to reach your emergency fund goal, take a look at how quickly it can add up. Keep in mind that these amounts exclude interest and that the actual amounts will be higher if in an interest-bearing account.





### Challenge Yourself

What will it take to create your emergency fund? You know enough about how to create an emergency fund, when to use it and how to replenish it. Now it's time to put this knowledge into action.

1. List your goals for establishing and maintaining an emergency fund (e.g., how much will you aim to save each week, each month?).
2. Make a plan for how often you will check in with your goals, such as deciding to check your savings progress each time you get paid or at the beginning or end of each month.
3. Find a secure way to keep your emergency fund, remembering that it needs to be easily accessible and not tied up in a way that there will be penalties if you need to withdraw it (such as some investment accounts that are intended for longer-term retirement savings).
4. Explain your goals to someone else who can help you keep on track. As you check in with your goals, check in with that person as well. If you haven't met your goals yet, explain why. If you have met them, have that person help you celebrate.
5. Consider using savings apps or joining a group like [America Saves](#) to become part of a saving community.
6. Start saving!

## EMERGENCY FUND PLAN RESOURCES



Are you in crisis? Or maybe you're just looking to go deeper into this topic? There are many free and low-cost resources available to help you. Here are a few:

### 2-1-1

Just as you would call 9-1-1 in an emergency, you can call 2-1-1 ([www.211.org](http://www.211.org)) from anywhere in North America using your phone or computer to speak to a specialist in your community who can help you find a variety of free services including:

- Disaster and emergency help
- Housing and food assistance
- Employment and education opportunities
- Help starting a business
- Help for special groups such as veterans and victims of domestic abuse

### America Saves

Get help reaching your saving goals with tools and inspiration from America Saves ([www.AmericaSaves.org](http://www.AmericaSaves.org)) including calculators to estimate your [personal and/or home wealth](#).

### American Savings Education Council (ASEC)—ChooseToSave.org

Visit [www.ChooseToSave.org/calculators](http://www.ChooseToSave.org/calculators) to calculate savings goals, savings potential, compound interest, earnings from potential investments and more.

**CONGRATULATIONS!**



You have completed the Emergency Fund course. Check out SAM's other free courses to continue your personal finance journey:

### SAM Money Basics

These topics form the foundation that underlies most financial decisions. Take all the Basics courses, or jump around to get a refresher based on the choices you face right now.

- Credit and Debt
- Employment
- Insurance
- Investing
- Employment
- Spending and Saving

### Additional Courses

Explore these SAM courses to develop personalized plans in the following areas:

- My Housing Plan
- My Transportation Plan

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